

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



July 30, 2001

The Honorable Anthony A. Williams
Mayor
District of Columbia
441 Fourth Street, N.W., Suite 1100
Washington, D.C. 20001

The Honorable Linda W. Cropp, Chairman
Council of the District of Columbia
441 Fourth Street, N.W., Suite 704
Washington, D.C. 20001

The Honorable Alice M. Rivlin, Chairman
D.C. Financial Responsibility and
Management Assistance Authority
441 Fourth Street, N.W., Suite 570
Washington, D.C. 20001

Dear Mayor Williams, Chairman Cropp, and Dr. Rivlin:

In connection with the audit of the District of Columbia Public Schools (DCPS) for the period ending September 30, 2000, the auditing firm, KPMG, LLP, submitted the enclosed Comprehensive Annual Financial Report (CAFR). The CAFR includes the Independent Auditors' Report and the Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

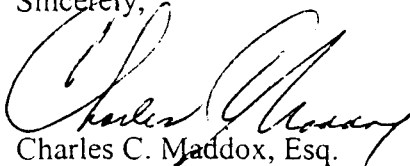
DCPS received an unqualified opinion on its general purpose financial statements. However, KPMG cited several deficiencies that DCPS should correct in order to enhance DCPS's financial management infrastructure. The Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* indicates that DCPS: (1) was delinquent in filing its single audit reports for fiscal years 1998 and 1999; (2) did not maintain key documents in employees' personnel files; (3) has not properly recorded capital leases since 1997; (4) does not have an adequately staffed internal audit division; (5) did not have adequate internal controls over payment processing; (6) circumvented emergency payroll procedures; (7) used, inappropriately, the restricted Central Investment Funds to fund emergency payroll checks; (8) did not timely allocate payroll to the appropriate funds; (9) needs to improve the monitoring

of expenditures; (10) needs to minimize use of object 41, Negotiated Services Contracts, for budget and expenditure purposes; and (11) did not perform a comprehensive physical inventory of all personal property during fiscal year 2000.

As previously disclosed to you in a letter dated April 19, 2001, the Office of the Inspector General (OIG) has taken, or is taking several steps to help ensure that District agencies comply with recommendations made by the OIG, as well as federal government auditors and private-sector auditors. We will continue to monitor closely developments regarding DCPS's financial management structure, as prior years experience has demonstrated that failure to correct major deficiencies can delay timely completion of the CAFR.

If you have any questions or need additional information, please contact me, or have a member of your staff contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles C. Maddox".

Charles C. Maddox, Esq.
Inspector General

Enclosure

CM/mg

cc: See Distribution List

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